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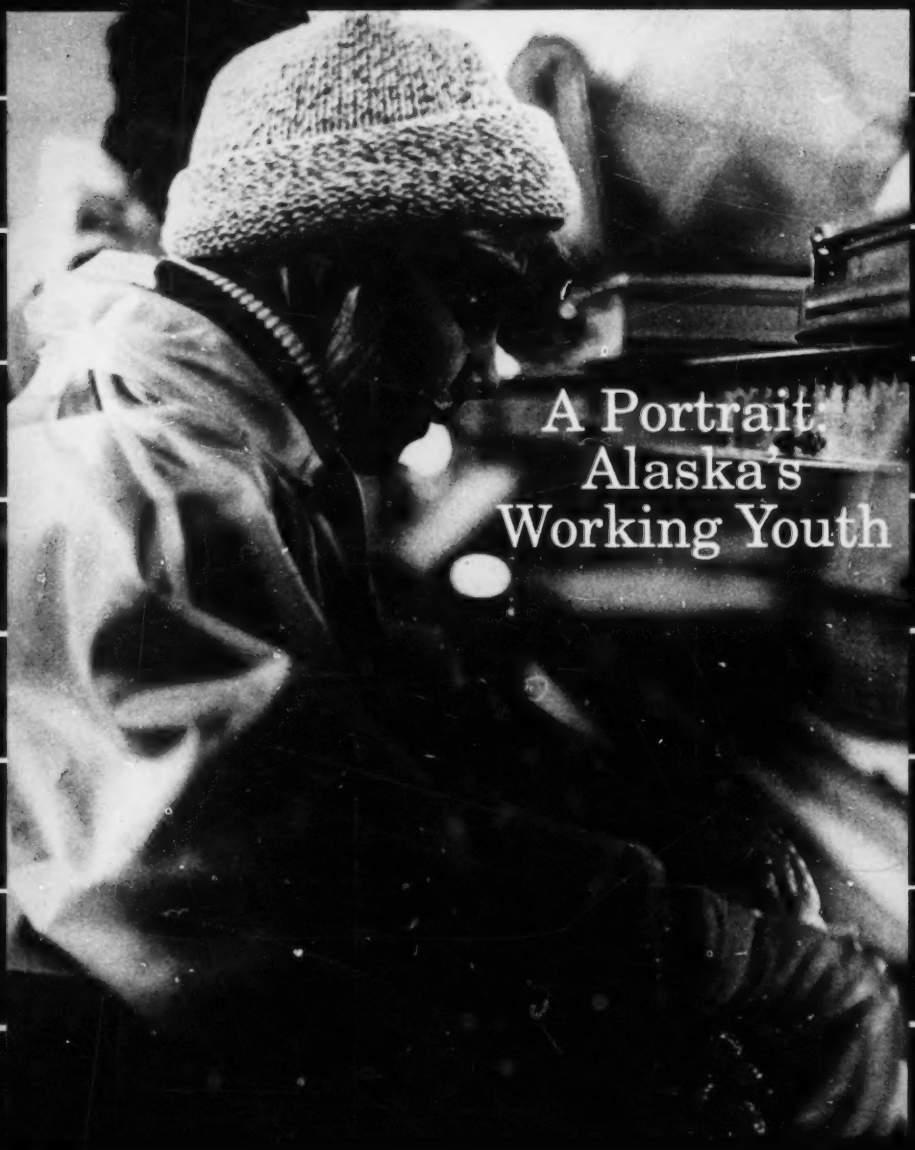
ALASKA ECONOMIC TRENDS



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Alaska's Employment Scene: The November Drop in Employment Fueled Unemployment Increases

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Alaska Economic Trends is a monthly publication dealing with economic information analysis and issues of Alaska. Opinions expressed by guest authors may not be consistent with those of the Alaska Department of Labor.

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A Portrait: Alaska's Working Youth

By Neal Fried

Many businesses could not function without young workers. A growing number of Alaskan employers are finding it difficult to recruit young workers. It is not uncommon to find a manager of a restaurant or store complaining to the news media about a shortage of help. "Help Wanted" signs are decorating a growing number of restaurant and store windows. Some restaurants even use placemats which plead with the younger set to come to work for them.

This is the condition in Alaska despite the state's sluggish economy. Although there exists an apparent shortage of young workers, current youth unemployment is high and many young Alaskans are finding it difficult to land a job.

This article will try to explain this contradiction. It will also try to answer the following questions: How many of Alaska's youth are working? Why do some of them find it difficult to land a job while others have little trouble? Where do they work and what kind of jobs do they find? How much do they earn? What role does education play? And finally, what does the future hold for young workers?

For the purposes of this discussion, 'young workers' are those who are 16 to 21 years old. At times in this article, this group has been broken into two subgroups — 16 to 19, and 20 to 21 year-olds.

How Many Alaska Youth Work? *Over Half*

Over the last three decades, there has been dramatic growth in the proportion of active young workers in Alaska's labor force. In 1960, less than one quarter of those between 16 and 21 years old were working or looking for a job. After a decade, that number had grown to almost one-third. By 1980 the number had climbed to 48 percent.

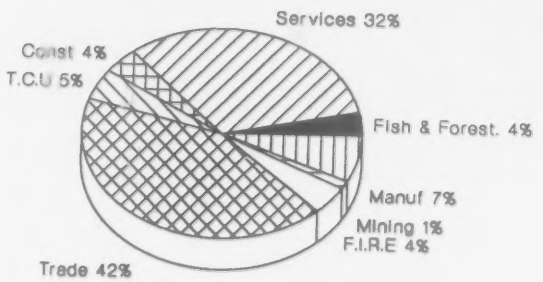
Today, more than one-half of Alaska's youth are active in the labor market. School district officials estimate that 30% to 40% of high school students work during the school year. These estimates closely fit national patterns.

There are two primary reasons why Alaska's youth are far more active in the labor market today than in prior years. 1: Many more young women are working today compared to past decades. 2: The proliferation of job opportunities in the retail trade and service industries have drawn Alaska's young into the work force. (There has been significant growth over recent years in Alaska's retail trade and service industries. The percentage of the total work force employed in these two industries has grown from 22% in 1960 to 36% in 1988.)

More than one-half of Alaska's youth either have a job or are looking for one.

Figure 1

Alaska Youth Employment By Industry – 1980



Source : U.S. Bureau of Census, 1980

Where Do They Work?
Mostly Retail Trade

If you asked John Doe on the street where most of today's youth work, they might tell you McDonalds. Though not quite accurate, they would not be altogether wrong. Figure 1 shows that the retail trade sector (which includes restaurants), is the single largest employer of Alaska youth. The service industry is the second largest employer. These two industries employ three-quarters of all Alaska youth.

Some refer to the type of work in these industries as "youth work" because young workers are so prevalent in them. The retail trade and service industries generate lots of part-time, entry level jobs. These are jobs tailor-made for young people: typically, youth have few marketable skills, little work experience, and are still attending school in many cases.

Most young workers are relegated to low-paying and low-skilled jobs.

According to national statistics, it is the workers of ages 16 to 21 who are employed most often as sales clerks, restaurant workers, child care workers, gas station attendants, typists and secretaries. This is probably also true for Alaska.

These statistics do not suggest, however, that all of Alaska's youth are working behind a fast-food and store counters. The manufacturing industry in this state employs a full 7%; they are chiefly working as fish processors. Others are fishermen and construction workers.

It is inaccurate to characterize the entire youth work force as 'entry-level', 'unskilled' or 'semi-skilled'. Some work in technical and professional occupations. Others own and operate businesses. But given their age and inexperience, most young workers are relegated to low-paying and low-skilled jobs.

How Much Do They Earn?
An Average of $5 to $6.50 p/hour

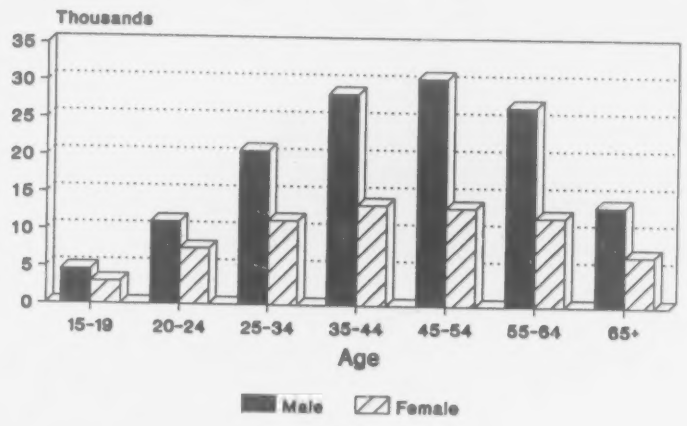
The average hourly wages offered by Alaska employers for 'youth work' range generally from $5 to $6.50 per hour. This information is based on the Alaska Department of Labor's Youth Employment Service (YES) and Job Training Partnership Act (JTPA) youth employment programs. Many of these workers earn Alaska's minimum wage of $3.85 or slightly more.

Average monthly wages for all workers in the retail trade and services industries are the lowest in the state's economy. The overall average monthly wage is $2,308; for retail trade it is $1,272, and for services it is $1,655. Not only do these positions typically offer low wages, but they are often only part-time. In 1987 the average Alaska worker labored 39 hours per week; the 16 to 19 year olds worked 24 hours on average.

As depicted in Figure 2, a very strong relationship between age and income exists. Wages climb rapidly as a person ages, and gains more experience, more training, and more education.

Figure 2

Average Income by Age – 1980



Source: U.S. Bureau of Census, 1980

Why Do Youth Gain Only Minimum Wage Jobs?
Inexperience, Few Skills

Lack of experience and skills are the primary reasons why the younger workers are in lower paid occupations. There are also practical reasons. Many of these workers are still attending high school, vocational school, or college. This often confines them to part-time or seasonal work. Earning extra spending money is the primary reason most 14 to 17 year olds work. Their purpose for work is not to provide economic support or to carve a pathway

economic support or to carve a pathway to a more permanent occupation. Stability is not a priority at this age.

The purpose for work changes as younger workers grow older. By age 18 an increasing number hold jobs to support themselves. In some cases, 18-year-olds' jobs are a source of support for an entire family. Employment quickly becomes a critical focus in a young person's life. Low wages and unemployment start to become real issues.

Q: Why is Unemployment So High Among the Young?

The relationship between unemployment and age is as strong as the relationship between income and age. (See Figure 3.) In 1987 the unemployment rate for Alaska's 16-19 year olds was 16.7%; that rate is nearly twice as high as the average for all ages. Why is unemployment among the young so high when so many Alaska employers are crying for help?

A: *Not All Unemployment is Problematic*

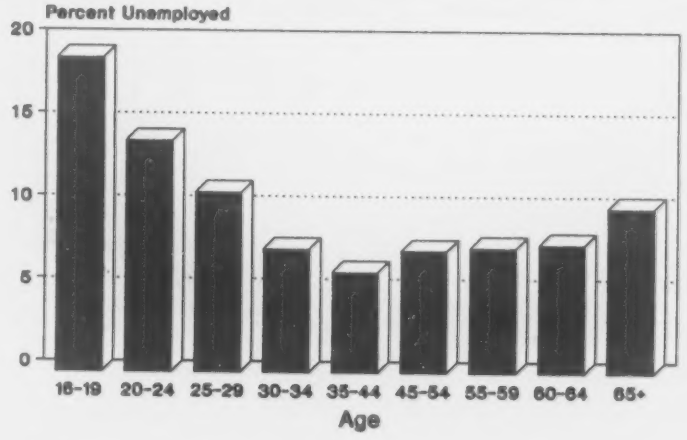
A partial explanation for youths' high unemployment rate is what economists call 'frictional' unemployment. Others call it 'inevitable' unemployment. Frictional unemployment occurs when people are switching jobs. It also occurs when workers are temporarily out of work because of the change in seasons; they know, though, they will be working again when the weather improves. These characteristics typify the young work force.

Young workers often don't have strong attachments to the labor force, and they frequently change jobs. Many earn low wages. And because there are abundant jobs of this type, young workers move around a lot. Many are experimenting with different types of work. Others are in and out of the labor market because of school commitments. For the younger set — the 14 to 17 year olds — Figure 4 illustrates the seasonality of their employment picture. Younger workers are without jobs for shorter periods of time than older workers.

Frictional unemployment is not a cause for concern because it is not a sign of hardship and is often unavoidable. For these reasons, the higher teenage unemployment rate should be viewed differently than the lower overall unemployment rate. Youth are a 'vanishing minority'. They quickly became 'older workers' and many of their job-related problems vanish with time. Additional education, training and experience improve their success in the labor market.

Figure 3

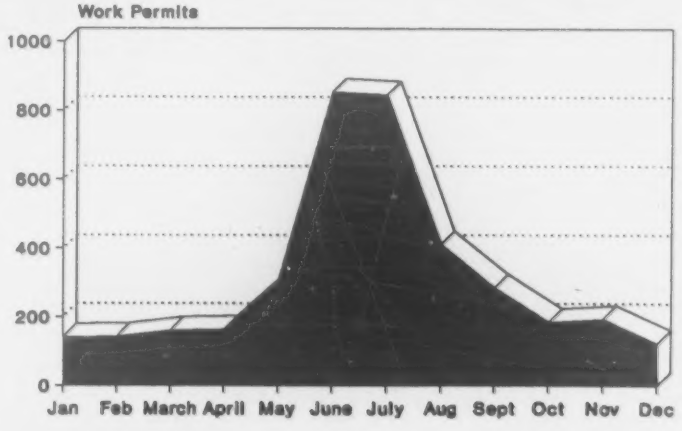
Alaska Unemployment Rates By Age – 1980



Source : U.S. Bureau of Census, 1980

Figure 4

Work Permits Issued For Alaska's Youth – 1987



Source: Alaska Department of Labor

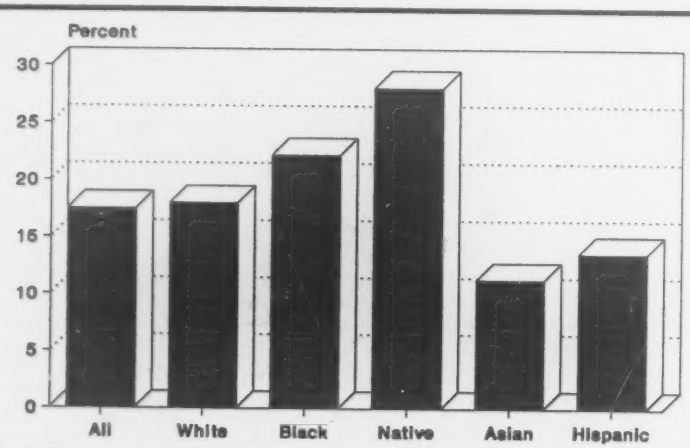
This does not mean, however, that Alaska's higher youth unemployment rate can be ignored. There are a number of real reasons for concern.

Scarcity of Job Options a Cause for Concern

Although there appears to be a glut of entry level jobs in Alaska's urban communities, many rural areas of the state are sorely lacking these jobs. You can actually count on one hand the total number of cash-paying jobs available in many rural communities and villages. Employment opportunities are — more often than not — scarce for workers of all ages in rural Alaska.

Figure 5

Youth Unemployment Rates By Race & Ethnic Origin – 1980



Source: U.S. Bureau of Census, 1980

This in turn means there is a much more acute problem in rural Alaska for the young job seeker. Corroborating this perception are results of a 1981 survey conducted by the Department of Labor (DOL), the Lower Yukon-Kuskokwim Region Labor Market Analysis. The DOL established in its survey that the 'official' unemployment rate among youth in the Lower Yukon was 34%. However, the rate was found to have soared to 64% when a more liberal definition of unemployment was used.

Figure 5 shows that the average unemployment rate among Native Alaskan youth is nearly 10 points higher than that for all Alaskan youth.

A critical lack of job opportunities is not just a problem solely for rural Alaska or for Alaska Natives. Accompanying the onset of the recession earlier this decade was a scarcity of job options — which offered good pay and career opportunities — for all of Alaska's young workers. The state has lost more than 21,000 jobs over the past three years. This means young workers are now often competing with the older, more experienced workers. This competition is particularly severe for those noncollege-bound 19 to 21 year olds. These young workers have found it much more difficult to acquire skills and find jobs that provide them with a viable livelihood.

Exemplifing well this sudden dearth of job opportunities for Alaska's young workers is the situation now facing the construction trades. The construction industry has traditionally provided career opportunities which paid a living wage for many of those Alaska high school graduates who are not college-bound. Because of the terrible shape that the construction industry finds itself in today, most of the trades are not even offering classes for new apprentices. Many of the unions have not offered classes since 1985. Further, many of the trained apprentices have left the state to continue their apprenticeships. The Plumbers & Steamfitters Local 367 has 38 apprentices; 28 of them are jobless. This lack of opportunity in the construction industry has cut off a critical career path for many of Alaska's young people.

Additionally, there remains a group of working-age youth who continue to find it difficult to find or keep a job regardless of the condition of the economy. Their problems often appear intractable. They are frequently high school dropouts. They often come from disadvantaged backgrounds. Their basic reading and math skills are often marginal. Personal problems abound. They commonly turn to crime and substance abuse. And by all accounts their numbers are growing.

High school dropouts are a real concern because they traditionally flounder in the labor market. According to "Identifying At-Risk Youth in the Northwest States," a report authored recently by the Northwest Regional Educational Laboratory, 12.2% of Alaska's 16-19 year olds drop out of school. More startling is that a full 67% of these dropouts don't find jobs. Further, many members of this group continue as adults to experience employment problems.

Economists estimate that a high school dropout represents over 40 years $184,000 in lost tax revenues and welfare support. Truly tremendous is the long-term cost to society of an undereducated work force in terms of crime, loss of productivity, and welfare costs.

Two researchers — Ellen Greenberger, professor of Social Ecology at University of California-Irvine, and Laurence Steinberg, professor of Child & Family Studies at University of Wisconsin-Madison — are just now beginning to identify a different 'number 1 problem' related to employment of high school students. Actually, the problem may not be unemployment. Some of the new research shows that employment often interferes with the quality of a student's school work. A job also curtails a student's participation in extracurricular activities. The researchers are particularly critical of students who work more than 15 to 20 hours per week. They point out that most are only working to earn spending money; therefore, this is nonessential income. The debate on this issue has just begun; it will surely intensify.

Some Young Alaskans Are Finding Good Jobs

There is a positive side to this picture. The outlook is hopeful for nonconstruction, entry-level occupations that require one to two years of post-high school training. For example, University of Alaska-Anchorage's Career & Vocational Education programs, as well as other vocational programs in the state, are having few problems in placing graduates. Also finding jobs are graduates of medical, dental, electronics, aviation, mechanics, and food technology programs. In fact, employers are luring away many students before they are graduated from these programs.

Though most college graduates are older than 21, a deliberation on youth employment is incomplete without discussing the labor market for college graduates. According to the university's career placement office, the market for Alaska college graduates is tougher than it was in the roaring 70s and early 80s. Their opportunities vary. On one hand, accounting graduates still have their pick of jobs. On the other hand, engineers — many of whom had found jobs in past years before they were graduated — are nowadays finding the local job hunt more difficult. Many Alaska-educated engineers must leave the state to find work. Business graduates are finding jobs, but only after exhaustive searches. And the market for teachers is tight in the state's urban areas, but opportunities still exist in rural Alaska.

The Potential For a Better Future Exists

There are three primary determinants of employment prospects for Alaska's youth: the fate of the economy, demographic shifts, and the educational and training achievements of the work force.

It's always a risky enterprise to predict the future. If Alaska's future is judged by its economic history, then the outlook looks bright. At present, the economy is pulling itself out of a three-year recession. This is already having a positive impact on the labor market for youth. Most long-term forecasters believe the future looks relatively good. National and international trends are extremely important. It is these trends that will have the largest influence on Alaska's economic future.

Demographics should aid Alaska's younger workers in their employment endeavors. There will be fewer of them. The baby bust of the late 1970s and early 1980s is partly responsible. In addition, Alaska lost a considerable number of young workers during the last wave of population loss.

The effects of the baby bust are considerably greater in the other 49 states. The number of young workers

Employers might be forced to raise wages and look to alternative age groups to fill an expected labor gap.

will continue to decline through 1995. What is happening nationally is important to Alaska because migration is a critical ingredient in the configuration of Alaska's labor market. It is this very group which migrates to Alaska in the greatest numbers. Which means fewer young workers of the future will probably move to Alaska. This scenario could pose real problems for those Alaska employers who need young workers. They are already experiencing problems today, and the situation is likely to worsen. It's possible that employers will be forced to raise wages and look to alternative age groups to fill the labor gap.

This is good news for future young urban workers. Opportunities for employment should remain abundant. The shortage should provide youths-at-risk an opportunity to move into the mainstream of the working world. Employers will find it necessary to turn to at-risk youths for workers. Employers will be more likely to provide training and support programs to help these young people become productive members of society.

Although there may be a shortage of young workers, this shortage does not guarantee them a job that will place them on a career path. Youth will probably always find low-wage and low-skill jobs. But salaries for the unskilled and the semi-skilled have been driven down by increased world competition, deregulation, and organized labor unions' loss of strength. An increase in prime job opportunities has not usually been demonstrated elsewhere in the country where youth labor shortages have occurred. The cause of this is primarily due to the fact that most youths lack the required skills needed for the 'quality jobs'.

Other equally important facets needed in landing and keeping a job is demonstrated deftness in literacy and communication, and showing a responsible attitude toward work. A recent DOL survey points to problems related to these 'work virtues'. Employers reported in the survey that the major reasons many young workers don't perform well or are unable to find jobs is because of the quality of their work and their work attitudes. Also topping the list were work habits, initiative, and ability to work with others.

If a young person wants to succeed in the labor market, education and training is more necessary than ever before. Training doesn't end with high school or college; it continues throughout workers' lifetimes. Young workers starting today will be retrained three to four times during their working life. There is an ever growing demand for higher skilled workers. The low-skilled jobs which pay a 'living wage' are quickly disappearing. It is critical that parents, educators and policymakers produce a trained and skilled labor force for the future. If we err, not only will individual workers fail, but at risk will be the overall health of the economy.

About the Author:

Neal Fried is a labor economist employed for 10 years with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Anchorage.

You Need a Work Permit if You are 18 or Under

Believe it or not, many parents, youths, and business owners do not know that you need a work permit if you are under age 18.

Why the need for a permit for those 18 and under? Because state labor laws have narrowed the types of job this age group can perform and the number of hours they can work.

For example: 14 to 15 year-olds can fill one day with no more than nine hours of school and work; If you are under 18 you cannot work in a mine. There are many other restrictions.

The permits need to be signed by a parent or guardian, and the employer.

You can get more information about Alaska labor laws and about the work permits themselves from the state Wage and Hour Section, a division of the Alaska Department of Labor. You can contact the agency by writing or calling one of three offices in Anchorage, Fairbanks, or Juneau. Following are each of the offices' addresses and phone numbers: Alaska Department of Labor (DOL), Wage & Hour Section, P.O. Box 107021, Anchorage, AK 99510-7021 (264-2435); Alaska DOL, Wage & Hour Section, 675 7th Ave., Fairbanks, AK 99701 (452-3060); Alaska DOL, Wage & Hour Section, P.O. Box 21149, Juneau, AK 99802 (465-4839).

January Estimates of Statewide Unemployment Will Be Calculated Using New Method

by John Boucher

Beginning with the unemployment estimates for the month of January 1989, a new method for calculating the monthly statewide unemployment rate for Alaska will be used. (The January 1989 estimates will be published in the March 1989 issue of Alaska Economic Trends.)

The new method is being enacted simultaneously in 39 states and in the District of Columbia. The change comes about as a result of ongoing research and development conducted by the U.S. Department of Labor, Bureau of Labor Statistics (BLS), and the cooperating state agencies which produce unemployment rates for the individual states. The Alaska Department of Labor's Research and Analysis section has been an active participant in BLS' effort to improve state and area employment and unemployment data.

This article talks to the changes made to the estimating process, as well as how the estimates are created.

Before beginning a discussion about the changes in the estimating process, first it's necessary to discuss the three major data sources used to create employment and unemployment estimates:

- Current Population Survey (CPS),
- Current Employment Statistics Survey (CES), and
- Unemployment Insurance Data (UI).

The CPS is a monthly nationwide survey of households carefully constructed to provide national estimates of employment, unemployment and other characteristics of the labor force. In the 11 most populous states, the CPS sample size permits the estimates of employment and unemployment to be considered the official labor force estimates for those states. In the 39 other states, the CPS' sample size is not large enough to provide reliable monthly estimates of the labor force and its various components.

The change in methodology only affects those 39 states and Wash., D.C. which do not directly use the CPS to estimate monthly labor force statistics. In these states, referred as the 'nondirect use states', the CPS sample is reliable enough to provide an estimate of the annual average unemployment rate.

The CES is a monthly sampling of employers which provides industry employment data for the state.

UI is administrative data gleaned from the nondirect use state's unemployment insurance systems. Data such as: the number of new claims for UI benefits, the number of continuing claims for UI benefits, and the number of claimants who are no longer eligible for unemployment benefits.

Both new and old methods use the CPS, CES and UI data as the basic data sources to estimate unemployment.

New Method Incorporates Regression Techniques

The new method uses regression models as a statistical technique in estimating employment and unemployment. This statistical approach represents a fundamental change in how the estimates are calculated. (Regression is defined as a statistical technique for determining relationships or correlations between variables.)

Under the old method, employment and unemployment were estimated using a 'building block approach'. That is to say, each category of employed and unemployed were estimated separately, and then these estimates were summed together to form the 'Handbook estimates' of total unemployed and employed. Due to difficulties in estimating separately each category of employment and unemployment, the Handbook estimate had been then adjusted to reflect statewide employment and unemployment as measured by the Current Population Survey (CPS).

Rather than estimating each category of employment and unemployment separately, summing them to a total, and then adjusting the total by the CPS, the regression method of estimating focuses on inter-relationships of the basic data elements over time. This changes the way the basic data elements, (CPS, CES and UI data) are used in the estimating process. Prior to this new method, the basic data elements for the current month had been used only to estimate the current month's unemployment and employment rates. The new method uses the historical statistical relationships of the data to develop the current month's estimate.

New Method More Tailored to Individual States

Compared to the prior method, this one allows for tailor-made estimates better oriented to each of the state's distinctly different economies. By using

10 years of the individual states' data to develop the equations for estimating employment and unemployment, each nondirect use state now uses a truly unique equation to estimate its labor force data. While the method is similar from state to state, each state model is flexible enough to incorporate unique characteristics of the state's economy into the equations.

A frequent challenge to the validity of this new method is this: If historical data is incorporated into the current month's estimate, what happens if the historical relationships which the equations are based upon change due to shifts in the state's economy? The answer to that challenge is this: a special feature of the new estimating model is its ability to adjust to changing relationships between the data over time. Thus, while the estimates are based on historical relationships of the data elements, changes in these relationships are reflected in the estimates as the changes occur.

Annual Rates Unaffected, But More Fluctuation Expected in Monthly Rates

Since states' annual average unemployment rates are derived directly from the Current Population Survey, the method by which these rates are calculated will not change. Only the monthly estimates will be affected by the new method.

Joint testing conducted by the BLS and each of the 39 states over the past two years has found that the new estimating technique generally produces larger month-to-month changes than those produced by the previous method. (This varies from state to state, however.) The larger monthly changes can be explained by the fact that the previous method tended to under-represent the changes in several of the more seasonally volatile parts of the population. For example, the number of unemployed entering the labor force —particularly those seeking their first jobs — varies greatly during the year depending on a number of factors, such as school schedules. Since the new method better represents these seasonally volatile parts of the population, the overall estimates tend to show more seasonal change. Some states show greater monthly change than others under the new method, a benefit of having models which are specific to the states.

In Alaska's case the new method has tended to show slightly less seasonal variation than the old method. One change, however, is expected to occur in the seasonal pattern of Alaska's unemployment rate. Under the previous method, Alaska's unemployment rate was highest in February or March and lowest in September. The new method generally finds the lowest unemployment rate in July and the highest rate in January or February.

The Estimates Have Changed But the Definitions Are the Same

This new change to the unemployment estimating methodology does not call for any changes in the definitions of the employed and unemployed. The basic definitions remain the same at the national, state, and local levels. Briefly the basic definitions are:

EMPLOYED – People who work for pay.

SELF-EMPLOYED INDIVIDUALS – Those who work 15 hours or more as an unpaid worker in a family-owned business.

Those temporarily absent due to vacation, illness, bad weather, labor-management disputes, or personal reasons.

Those waiting to be recalled from layoff, or those waiting to report to a new job within the next 30 days.

UNEMPLOYED – People who are jobless, are available to work and who have conducted a job search in the last four weeks.

The new unemployment estimating technique doesn't deal with the problem of 'discouraged workers' not being counted among the unemployed. The term 'discouraged workers' refers to people who have not performed a job search in the prior four weeks because they believe no work is available. These people are not counted among the unemployed in official unemployment estimates. They are considered to have dropped out of the labor force.

Alaska's rural areas' unemployment significantly underestimated

This exclusion of discouraged workers has been linked by researchers of Alaska Department of Labor's Research and Analysis section to a significant underestimation of unemployment. This underestimation especially affects Alaska's rural areas. A 1981 household survey — patterned after the CPS monthly survey — of the Wade Hampton Census Area revealed that the number of discouraged workers was nearly double the number of people who were unemployed by official definitions. Unfortunately, the new unemployment estimating method does not address this shortcoming.

Historical Data to be Revised; Federal Monies Minimally Affected

As part of the changeover to the new method, the monthly labor force data series for Alaska and the other affected states will be revised backwards to 1978. This will allow those users interested in time series data to compare current estimates with historical patterns which had used the same methodology. Since the annual average labor force data for all states is derived directly from the CPS, there is no need to change Alaska's annual average figures during this period.

Since the change in unemployment estimating methodology will not alter annual averages, it is anticipated that there will be very little impact on the allocation of federal funds to state and local areas. There will be no change at all for allocations based on a calendar year. Affected to a small degree by the revision might be those allocations based on a formula using a 12-month average but not a calendar year average. Allocations based on formulas other than a 12-month average may be affected by the methodology change.

Summary

The method by which Alaska's unemployment rate is calculated will change beginning with the estimates for January of 1989. The new method incorporates more advanced statistical

techniques, is more customized to individual states' economies, and should more accurately show seasonal patterns. More variation in month-to-month changes are expected, but the annual average unemployment rates for the state will remain the same. The new method corrects some of the shortcomings of the prior method, but it does not deal with the problem of discouraged workers being excluded from the unemployment count. Federal allocations which are tied to the unemployment rates are not expected to be impacted significantly by the change in methodology.

For further information about the new regression methodology contact:

The U.S. Department of Labor
Bureau of Labor Statistics
Box 3766
71 Stevenson St.
San Francisco, CA. 94119-3766

For information regarding Alaska's unemployment model contact:

Alaska Department of Labor
Research & Analysis Section,
Labor Market Information Unit
P.O. Box 25501
Juneau, AK. 99802-5501

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The Economic Impact of UA on Alaska:

by Holly Stinson

A university system's primary purposes are education and research. But it has an economic impact on the community, too. This article focuses upon the University of Alaska's (UA) impact on the Alaska economy.

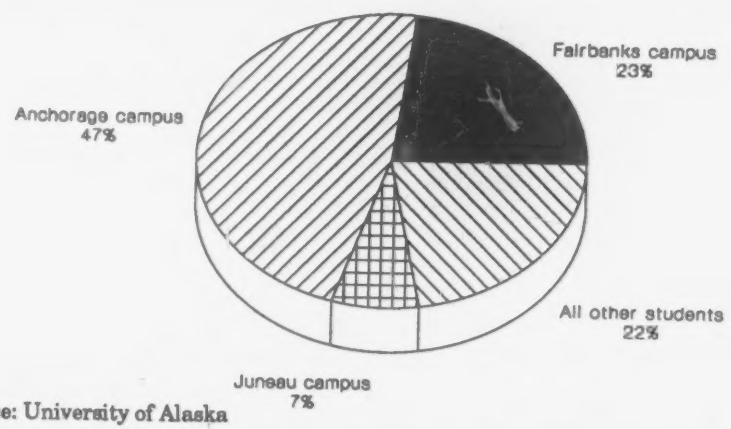
Today's UA system consists of: three university campuses, one community college, multiple rural education centers, and eight college centers. UA has two- and four-year degree programs, as well as graduate level programs. The system also offers correspondence and televised courses, course work focused on adult education, and vocational training. In addition, the university system has an array of research institutes, laboratories and centers for specialized studies.

Most UA Students Enrolled at Anchorage & Fairbanks Campuses

The university's teaching function is carried out primarily at the Anchorage and Fairbanks campuses. All of UA's fall 1988 enrollment is estimated at 28,011. Almost one-half of these students, 13,191, are at the Anchorage university. (See Figure 1.) Fairbanks has 23% of all UA students, and the Juneau university is host to 7%. Accounting for the balance of the enrollment, 22%, are the remaining

Figure 1

UA Students Distribution
Full- and Part-time – Fall 1988



Source: University of Alaska

campuses, rural centers and various educational programs. (These numbers do not include those students who audit classes exclusively.)

UA pumps a considerable amount of money into several communities' economies. Not surprisingly, it's the Anchorage and Fairbanks campuses — those which enroll the majority of UA's students — that receive the majority of UA operating monies.

UAF: An Integral Part of the Fairbanks Economy

Over $113 million of operating funds were spent by the Fairbanks university in Fiscal Year 1987 (July 1, 1986 to June 30, 1987). (See Figure 2.) This includes expenditures for various statewide programs and UA's overall administrative budget. While most of this money provided for educational programs, $5.7 million was dedicated to public services, such as operation of the university radio station and the cooperative extension service. And almost $35 million — over one-third of total FY 87 expenditures — was spent on research. As in past years, the Fairbanks university continues to fund the majority of research work in the UA system.

All UAF operating expenditures are not spent in Fairbanks. However, most UAF wages are spent there. And over $64 million of UAF's operating expenditures in FY 87 went to payroll.

A 1980 study concluded that 34.6% of UAF funds not going to wages were spent in the Fairbanks North Star Borough. A 1987 study estimate came in higher, at 37.3%. If one estimates that at least 35% of UAF's FY 87 nonwage funds were spent in Fairbanks, the dollars spent in that fiscal year amounted to about $17 million. This is mostly 'new money' pumped into the Fairbanks economy, not local funds being recycled but money coming from state and federal coffers. Without the university's presence in the community, that $17 million would not be circulating in the Fairbanks economy.

Also injected into the Fairbanks economy are the dollars spent by university students. UAF students spent an estimated $83.1 million in the Fairbanks North Star Borough during the 1987-88 school year. A majority of the students' monies originated in the local economy. A recent student survey indicates that about 44% of their income comes from nonlocal sources. This translates to over $36 million 'new money' for Fairbanks in the 1987-88 period.

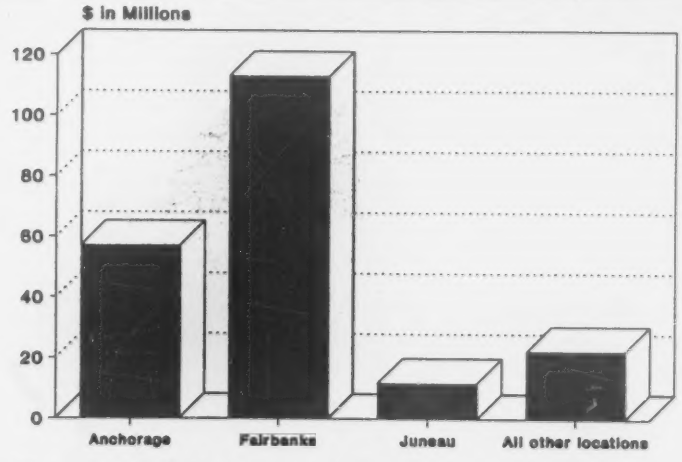
Although the UAF budget has decreased since its peak in FY 85, the university's employment has remained fairly stable. UAF is the single, largest civilian employer in the Fairbanks area. Employed in the spring of 1988 were 2,349 people. (See Table 1.) That number amounts to almost 10% of all wage and salary employment in the Fairbanks North Star Borough. Of the 2,349 employees, almost 1,500 were full-time faculty and staff. A typical monthly UAF payroll for the Fairbanks area is over $5 million.

University expenditures also create secondary employment. Using an employment multiplier of 1.8, UAF is responsible for 1,900 indirect jobs in the borough.

How many students are taking classes at UAF? Unofficial figures for the Fall '88 semester show a total UAF enrollment of 6,476. There are slightly more enrolled full-time than part-time. This is the reverse of the past few years when there were slightly more part-time students.

Figure 2

UA Operating Expenditures – FY 1987



Source: University of Alaska Stastical Abstract

Table 1
University of Alaska Employment by Census Area
1st Quarter Average

	1980	1981	1982	1983	1984	1985	1986	1987	1988	Percentage Change from: 1980-85	1985-88
Aleutian Islands Census Area	32	26	38	37	29	32	34	25	28	0%	-13%
Anchorage	1,129	1,263	1,425	1,694	1,653	1,650	1,703	1,622	1,586	46	-4
Bethel Census Area	99	105	125	143	95	96	90	76	80	-3	-17
Bristol Bay Borough Census Area	0	0	0	0	0	0	0	0	7	0	—
Dillingham Census Area	11	14	15	20	17	18	18	16	10	64	-44
Fairbanks North Star Borough	1,937	1,910	2,010	2,316	2,334	2,453	2,443	2,301	2,349	27	-4
Haines Borough	1	0	0	0	0	0	1	2	1	-100	—
Juneau Borough	215	208	271	288	305	326	328	286	322	52	-1
Kenai Peninsula Borough	90	116	162	172	197	222	192	199	197	147	-11
Ketchikan Gateway Borough	36	39	65	74	68	54	69	67	63	50	17
Kodiak Island Borough	44	63	71	82	88	85	83	78	74	93	-13
Matanuska-Susitna Borough	94	110	130	155	159	178	169	153	174	89	-2
Nome Census Area	31	33	40	50	43	56	47	43	40	81	-29
North Slope Borough	28	5	2	2	3	7	3	2	3	-75	-57
Northwest Arctic Borough	18	5	5	12	17	36	28	28	26	100	-28
Prince of Wales/Outer Ketchikan C.A.	0	0	0	0	0	0	0	0	1	0	---
Sitka Borough	25	29	42	57	50	46	43	40	26	84	-43
Skagway-Yakutat-Angoon Census Area	1	1	2	2	0	2	2	2	1	100	-50
Southeast Fairbanks Census Area	6	7	9	25	26	24	22	14	19	300	-21
Valdez-Cordova Census Area	24	40	55	64	74	72	80	82	84	200	17
Wade Hampton Census Area	0	0	0	0	0	0	0	1	1	0	0
Wrangell-Petersburg Census Area	1	2	2	2	2	4	2	3	5	300	25
Yukon-Koyukuk Census Area	23	28	33	36	44	44	25	28	21	91	-52
TOTAL	3,845	4,004	4,502	5,231	5,204	5,405	5,382	5,068	5,118	41	-5

Source: Alaska Dept. of Labor, Research & Analysis

UAA Contributions to the Anchorage Economy:

In Anchorage the university budget has a much smaller impact. Not only is the UAA budget much smaller than that of UAF, but the Anchorage area has three times the population of Fairbanks. UAA's FY 87 $57 million operating budget amounts to just over half of UAF's operating budget of that same fiscal year. While the Fairbanks university spends almost 34% of its operating monies on research, UAA spends only about 7% on research.

Because about 90% of UAA's operating funds come from outside the area, UAA accounted for over $50 million in new money being pumped into the Anchorage economy in FY 87. UAA's 1988 and 1989 contributions to the Anchorage economy will probably remain close to this same figure.

According to a 1983 study, UAA's then-enrolled 4,048 students accounted for an estimated $77.7 million being spent in the local economy.

There are close to 1,800 employees on the UAA payroll, amounting to more than $3 million per month. UAA employment, like that at UAF, peaked in 1985 — at over 1,900. The UA system's total employment peaked in 1985. (See Figure 4.)

Anchorage students account for nearly one-half of the UA System's total enrollment. There are twice as many part-time as full-time UAA students. The number of full-time students, though, is steadily increasing. Total current enrollment, according to unofficial fall 1988 figures, is about 1,000 above that of fall '87.

Students at UAA's Kodiak, Kenai Peninsula, and Matanuska-Susitna colleges and at the university's various rural education centers account for almost 4,000 additional students.

UAS Provides Jobs in Southeast Alaska

UAS (University of Alaska Southeast) oversees a university in Juneau and college centers at Ketchikan and Sitka. Less than $12 million of the total UA budget is allocated to Juneau. And only 7%, or 2,055, of the system's students are in the capital city. Another 1,562 students are enrolled at Ketchikan and Sitka.

The majority of UAS students on all three campuses are part-time. This means that probably most of the students would be present and contributing to the local economy even without the presence of a college. In terms of jobs, the university provides 360 in Juneau, 74 in Ketchikan, 43 in Sitka, and another dozen in other small Southeast communities.

UA Impacts Smaller Alaskan Communities

UA's economic impact in Alaska's smaller communities is significant to each of the communities. Although operating expenditures outside of Anchorage and Fairbanks make up a small portion of the total UA System budget, they have a big impact on rural villages. Fiscal Year 1987 expenditures at former community colleges ranged from less than $1 million at Chukchi in Kotzebue to almost $3-1/2 million at Kuskokwim in Bethel, and over $4 million at Kenai Peninsula in Soldotna. The exact amount of dollars spent in each of the local communities is unavailable. Education is labor-intensive, though, and roughly 70% of UA's expenditures are for local employees' salaries and benefits.

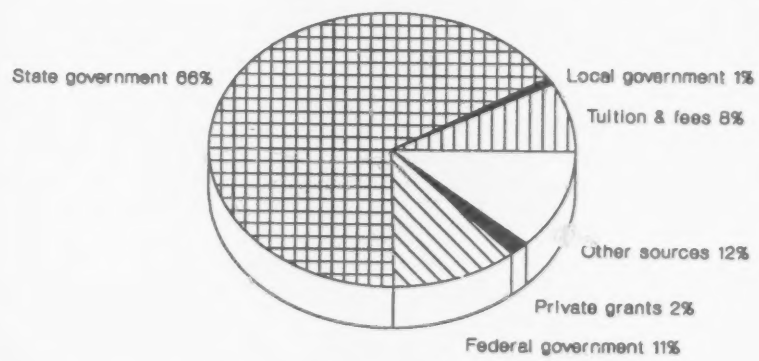
What is the monthly payroll for rural communities? Kotzebue's payroll for its 27 employees is about $65,000. For Nome's 46 college employees, monthly payroll is just over $100,000. For Bethel's 93 college faculty and staff, the monthly payroll is more than $220,000. The college in Bethel is one of the largest employers in that town.

About 200 are employed at the Kenai Peninsula College in Soldotna. Over 70% of the college's employees — who take home about 35% of the college's total payroll — worked at the Kenai-Soldotna campus. The remaining employees work in Homer- and Seward-based offices.

For Kodiak College's 88 employees, a typical monthly payroll is over $135,000. The Mat-Su campus in Palmer employs about 160 people on a payroll approaching $300,000 monthly. Although there are only 33 UAA employees on the Aleutian chain, the payroll means over $20,000 per month to local economies there.

Figure 3

UA Revenues by Source – FY 1988



Source: University of Alaska Financial Statements

How is UA Funded?

The university receives a considerable portion of its budget from the federal government, $23 million in FY 87. Most of this federal cash is earmarked for specific grants and projects. Tuition brought in $18.9 million in FY 87. Endowments and private sources gave almost $10 million in FY 87. And local governments kicked in another $1.8 million that fiscal year.

But it is the state which contributes the lion's share of UA's revenue. In FY 88 the state financed UA by almost $148 million. (See Figure 3.) Alaska governments' per student educational appropriations are the highest in the nation — $9,743 per 'full-time equivalent' student, as compared to the national average of $3,871.

In addition to direct appropriations, the state contributes to higher education through its Alaska Student Loan Program. It is pertinent to note, however, that less than half of the program's annual $50 million budget is loaned to UA students.

UA Offers Intangible Benefits

There are many benefits, both economic and 'quality of life,' that are hard to measure but should be considered. Non-credit courses allow community members to obtain practical skills ranging from personal finance to dog mushing. Community members also take advantage of a university's libraries, museums, and art performances.

The university provides, too, a trained labor force for many communities. Many employers find a community more attractive for relocation if it is home to a college. The college not only provides a trained labor force, it provides continuing education classes for a firm's employees. In fact, there are employers who choose to not relocate in an area that doesn't have a trained work force and a local opportunity for continuing education.

Current trends show that a greater number of working-age Americans are seeking mid-life education for the purpose of changing careers. Formal education is becoming more of a lifelong process. No longer do professionals of the workplace attend school only for a set number of years. No longer do they pursue only one career in a single field before retiring.

Goals for UA of the Future:

What lies in store for the UA System as it approaches its ninth decade? Ideally, school officials would like to see the budgeting process change so the fortunes of the system are not so tightly linked to the price of oil. This will be difficult to accomplish, however, as long as 70% of UA revenues come from a state where 90% of its revenues are generated by oil.

Tuition for Alaska residents is about the same as other state universities in the western U.S. But UA nonresident tuition is almost 40% less than the average.

Many advocates of the university hope that UA might grow into world-class leadership in certain areas. The arctic and geophysical sciences, and fisheries management are logical areas for UA to pursue. With successes in this pursuit, UA could attract research dollars from government and private corporations.

Growth in any sector of the UA system can only mean additional growth for the economy — both locally and statewide.

Summary: UA Has a Statewide Presence

From its tiny beginnings 70 years ago in Fairbanks, the University of Alaska has grown into a large system integrating all aspects of higher education. This fall over 28,000 students enrolled in adult basic education classes, as well as post-graduate courses.

The system as a whole employs almost twice as many people as the state's largest private employer; its FY 88 payroll was $128 million. A considerable amount of federal money goes to Fairbanks for research.

The University of Alaska has a proportionately larger economic impact in Fairbanks and in some rural communities than it does in Anchorage or Juneau.

Despite recent reductions in revenues, UA continues to offer services in virtually every community of the state.

About the Author:

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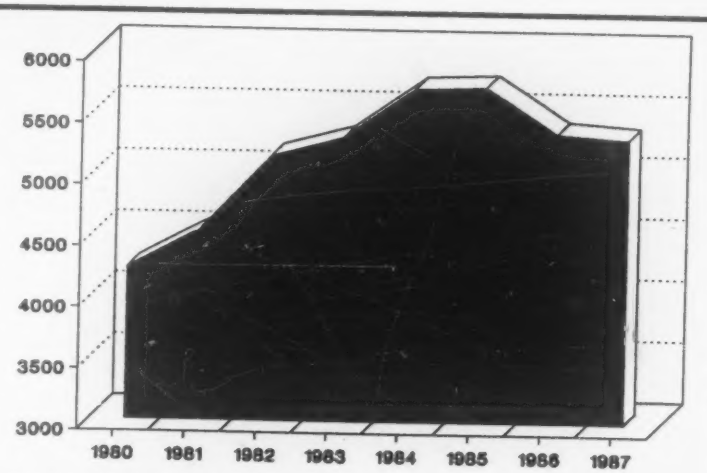
Figure 4

UA Employment



Source: Alaska Department of Labor

The November Drop in Employment Fueled Unemployment Increases

by John Boucher

Alaska's unemployment rate rose by more than one-half a percentagepoint — to 9.0 percent — in November. Fueling the escalation of the rate were layoffs in the construction and manufacturing industries.

Although the unemployment rate increased from October to November, it nevertheless continued to show improvement when compared to year-ago rates. In November of 1987, nearly 10 percent of Alaska's labor force was unemployed. (See Table 4.)

Table 1
Nonagricultural Wage and Salary Employment
By Place of Work
Alaska

				Changes From:	
	p/ 11/88	r/ 10/88	11/87	10/88	11/87
Nonag. Wage & Salary	207,400	212,300	206,500	-4,900	900
Mining	8,800	9,000	8,400	-200	400
Construction	8,100	10,000	10,100	-1,900	-2,000
Manufacturing	12,200	13,300	11,800	-1,100	400
Seafood Processing	5,500	6,500	5,500	-1,000	0
Lumber & Paper Prod.	3,500	3,600	3,100	-100	400
All Other Manufacturing	3,200	3,200	3,200	0	0
Transportation	17,400	18,000	17,100	-600	300
Trucking & Warehousing	2,400	2,500	2,400	-100	0
Water Transportation	1,100	1,100	900	0	200
Air Transportation	5,400	5,400	5,200	0	200
All Other Transportation	8,500	9,000	8,600	-500	-100
Trade	41,700	42,000	41,700	-300	0
Wholesale	7,300	7,400	7,300	-100	0
Retail	34,400	34,600	34,400	-200	0
Gen. Mer. & Apparel	5,300	5,100	5,300	200	0
Food Stores	6,200	6,200	6,000	0	200
Eating & Drinking Pl.	12,200	12,500	12,200	-300	0
All Other Retail	10,700	10,800	10,900	-100	-200
Finance-Ins. & R.E.	10,600	10,600	10,800	0	-200
Services	41,100	41,700	40,500	-600	600
Government	67,500	67,700	66,100	-200	1,400
Federal	18,100	18,000	18,300	100	-200
State	20,400	20,700	19,000	-300	1,400
Local	29,000	29,000	28,800	0	200

Prepared in cooperation with the U.S. Bureau of Labor Statistics. Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1987.

p/ Denotes Preliminary Estimates.
r/ Denotes Revised Estimates.

More Males Join Jobless Ranks in November

Data from Alaska's unemployment insurance system indicate that males were four times more likely than females to join the ranks of the unemployed in November. This development is due to the seasonal employment patterns of some male-dominated industries. Typically, the construction, timber and fish processing industries lose employment rapidly in November. This past November was no exception. From October to November of 1988, 3,000 jobs were lost in these three industries; this amounts to a whopping 60 percent of all jobs lost during the month in the Alaskan economy. (For statewide industry detail refer to Table 1.)

Substantial employment losses in these three industries translate into extensive job losses for males because these industries tend to employ more males than other industries. For

Table 2
Nonagricultural Wage and Salary Employment By Place of Work

Anchorage

	p/ 11/88	r/ 10/88	11/87	Changes From: 10/88	11/87
Nonag. Wage & Salary	99,700	101,000	99,950	-1,300	-250
Mining	3,650	3,650	3,200	0	450
Construction	3,850	4,900	5,450	-1,050	-1,600
Manufacturing	2,100	2,250	2,050	-150	50
Transportation	9,450	9,550	9,300	-100	150
Trucking & Warehousing	1,600	1,650	1,450	-50	150
Water Transportation	300	300	250	0	50
Air Transportation	3,250	3,300	3,150	-50	100
All Other Transportation	4,300	4,300	4,450	0	-150
Trade	23,850	23,800	23,850	50	0
Wholesale	5,600	5,600	5,300	0	300
Retail	18,250	18,200	18,550	50	-300
Gen. Merch. & Apparel	2,600	2,500	2,800	100	-200
Food Stores	2,900	2,900	2,850	0	50
Eating & Drinking Pl.	6,950	7,050	7,050	-100	-100
All Other Retail	5,800	5,750	5,850	50	-50
Finance-Ins. & R.E.	7,200	7,150	7,100	50	100
Services	23,500	23,700	23,000	-200	500
Government	26,100	26,000	26,000	100	100
Federal	10,350	10,250	10,450	100	-100
State	7,150	7,200	6,950	-50	200
Local	8,600	8,550	8,600	50	0

Anchorage-MatSu

	p/ 11/88	r/ 10/88	11/87	Changes From: 10/88	11/87
Nonag. Wage & Salary	106,100	107,750	106,350	-1,650	-250
Mining	3,600	3,700	3,200	-100	400
Construction	4,150	5,200	5,650	-1,050	-1,500
Manufacturing	2,150	2,350	2,100	-200	50
Transportation	10,000	10,200	9,900	-200	100
Trade	25,650	25,750	25,450	-100	200
Finance-Ins. & R.E.	7,650	7,600	7,550	50	100
Services	24,500	24,600	24,200	-100	300
Government	28,400	28,350	28,300	50	100

Gulf Coast

	p/ 11/88	r/ 10/88	11/87	Changes From: 10/88	11/87
Nonag. Wage & Salary	19,200	19,650	18,850	-450	350
Mining	800	800	850	0	-50
Construction	850	1,050	950	-200	-100
Manufacturing	3,400	3,450	3,400	-50	0
Seafood Processing	2,800	2,850	2,800	-50	0
All Other Manufacturing	600	600	600	0	0
Transportation	1,350	1,350	1,250	0	100
Trade	3,450	3,550	3,450	-100	0
Wholesale	400	400	400	0	0
Retail	3,050	3,150	3,050	-100	0
Finance-Ins. & R.E.	550	550	600	0	-50
Services	3,150	3,200	3,100	-50	50
Government	5,650	5,700	5,250	-50	400
Federal	500	500	500	0	0
State	1,750	1,800	1,400	-50	350
Local	3,400	3,400	3,350	0	50

Fairbanks

	p/ 11/88	r/ 10/88	11/87	Changes From: 10/88	11/87
Nonag. Wage & Salary	25,700	26,400	25,200	-700	500
Mining	50	100	50	-50	0
Construction	1,500	1,900	1,700	-400	-200
Manufacturing	500	550	500	-50	0
Transportation	2,100	2,200	2,000	-100	100
Trucking & Warehousing	350	400	350	-50	0
Air Transportation	350	350	300	0	50
All Other Transportation	1,400	1,450	1,350	-50	50
Trade	5,650	5,600	5,550	50	100
Wholesale	700	700	700	0	0
Retail	4,950	4,900	4,850	50	100
Food Stores	850	850	850	0	0
All Other Retail	4,100	4,050	4,000	50	100
Finance-Ins. & R.E.	800	850	900	-50	-100
Services	5,400	5,500	5,250	-100	150
Government	9,700	9,700	9,250	0	450
Federal	2,900	2,900	2,750	0	150
State	4,150	4,150	4,000	0	150
Local	2,650	2,650	2,500	0	150

Interior

	p/ 11/88	r/ 10/88	11/87	Changes From: 10/88	11/87
Nonag. Wage & Salary	29,150	30,100	28,950	-950	200
Mining	200	250	200	-50	0
Construction	1,550	2,000	1,800	-450	-250
Manufacturing	500	550	550	-50	-50
Transportation	2,350	2,500	2,250	-150	100
Trade	5,900	5,950	5,900	-50	0
Finance-Ins. & R.E.	850	900	950	-50	-100
Services	5,850	5,950	5,650	-100	200
Government	11,950	12,000	11,650	-50	300

Southeast Alaska

	p/ 11/88	r/ 10/88	11/87	Changes From: 10/88	11/87
Nonag. Wage & Salary	29,150	30,300	27,450	-1,150	1,700
Construction	900	1,000	1,000	-100	-100
Manufacturing	4,100	4,700	3,900	-600	200
Seafood Processing	550	1,000	700	-450	-150
Lumber & Paper Prod.	3,300	3,450	3,000	-150	300
All Other Manufacturing	250	250	200	0	50
Transportation	2,150	2,200	1,900	-50	250
Trade	4,650	4,750	4,300	-100	350
Wholesale	450	450	350	0	100
Retail	4,200	4,300	3,950	-100	250
Finance-Ins. R.E.	1,100	1,100	1,000	0	100
Services	4,550	4,750	4,450	-200	100
Government	11,500	11,600	10,800	-100	700
Federal	2,050	2,050	1,900	0	150
State	5,150	5,200	4,850	-50	300
Local	4,300	4,350	4,050	-50	250

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1987 p/ Denotes Preliminary Estimates r/ Denotes Revised Estimates

example, in 1987 80 percent of the employees in the construction and manufacturing industries were males.[1/]

The seasonal nature of these male-dominated industries puts Alaska's economy in a unique position compared to other states. This state's male unemployment rate has been consistently higher than its female unemployment rate. Only one other state in the nation, West Virginia, has a higher unemployment rate on an annual basis for males than for females. In every other state male unemployment is consistently lower than the female unemployment rate. For a more detailed discussion of this phenomenon in Alaska's economy refer to "Women in Alaska's Labor Force" in the February 1988 issue of *Alaska Economic Trends.*

November Employment Continues Positive Trend

For the third consecutive month, nonagricultural wage and salary employment has shown an increase over the same period from one year ago. (Table 1 shows these numbers in the far right column.)

According to many economists, the end of a recession is marked by two consecutive quarters of growth. In this light it's conceivable that November marked the halfway point to a 'definitive end' of Alaska's recession. Pertinent here is the point that economists discern 'definitive end' differently than do others. For example, some employers may not consider the recession over until the volume of their business is identical with that of 1985. Individuals may not consider the recession over until the property they own is worth as much as it was in 1985.

Setting aside for now these different connotations on the 'definitive end' of a recession, it's relevant to examine which industries have been leading the Alaskan economy to the end of its recent recession. It's also germane to ponder some even more crucial questions, such

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1/ The source is: *Geographic Profile of Employment and Unemployment, 1987.* Bulletin 2305, U.S. Dept. of Labor, Bureau of Labor Statistics, April 1988.

Table 3
Alaska Hours and Earnings for Selected Industries [1/2]

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	P/ 11/88	R/ 10/88	11/87	P/ 11/88	R/ 10/88	11/87	P/ 11/88	R/ 10/88	11/87
Mining	1,112.72	1,086.07	1,134.48	50.1	48.9	48.9	22.21	22.21	23.20
Construction	889.99	1,055.09	841.98	37.6	43.1	35.2	23.67	24.48	23.92
Manufacturing	575.33	565.50	511.52	46.1	43.5	39.9	12.48	13.00	12.82
Seafood Processing	441.00	364.23	311.81	51.7	42.7	38.4	8.53	8.53	8.12
Lumber & Paper Prod.	654.31	703.06	662.15	41.1	46.9	42.5	15.92	16.27	15.58
Trans., Comm. & Util.	576.01	601.88	585.10	35.6	36.7	36.5	16.18	16.40	16.03
Trade	366.57	379.29	350.12	32.7	33.3	32.6	11.21	11.39	10.74
Wholesale	527.28	544.12	511.54	38.6	38.7	38.9	13.66	14.06	13.15
Retail	316.11	325.39	298.04	30.9	31.5	30.6	10.23	10.33	9.74
Finance-Ins. & R.E	390.91	407.75	407.86	33.1	35.0	35.1	11.81	11.65	11.62

Benchmark: March 1987

[1] Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor

[2] excludes eating and drinking establishments

Average Hours and Earnings Series: Averages are based on data for full- and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

as: Where would we be without these key industries? and Can these industries continue carrying the economy toward added growth?

Government Is Leading the Way, But for How Long?

A quick inspection of Table 1 — specifically, an inspection of its far right column — points to two industries which are exerting counteracting forces on Alaska's economy. The construction industry is clearly retarding employment growth, while government — especially state government — is pushing Alaska employment to the positive side of the employment ledger. Other industries, particularly services, manufacturing and mining, are assisting in the renewal of the state's economic growth.

Readers should be cautious about focusing too much on short-term analysis because of short-term fluctuations that exist in the data. For example, if an industry's employment is high or low in the month examined due to some unusual event, the data could understate or overstate the effect the particular industry had on the economy.

To combat monthly variances in the data and to adjust for seasonal movements, the industry employment numbers were seasonally adjusted and then examined. While seasonally adjusted numbers also have their shortcomings, they can help confirm long-term trends in the employment numbers.

It turns out that the seasonally adjusted employment numbers for November generally portray the same picture as the actual November employment numbers; that is, construction and government employment are currently two of the largest forces in Alaska's economy. Figure 1 is a comparison of seasonally adjusted total employment to seasonally adjusted employment in the construction industry. The numbers are indexed so that the two classifications of employment can be compared more easily. (The baseline used is the 1980 annual average.) It is apparent that the construction industry has been placing downward pressure on overall employment over the past two years. While most other sectors of the economy have settled at an employment level equal to that of 1983, construction employment has continued to plummet, falling below levels not seen since the early 1970s.

On the other hand, seasonally adjusted government employment numbers

Figure 1

Seasonally Adjusted Employment Indexes Construction vs. Total

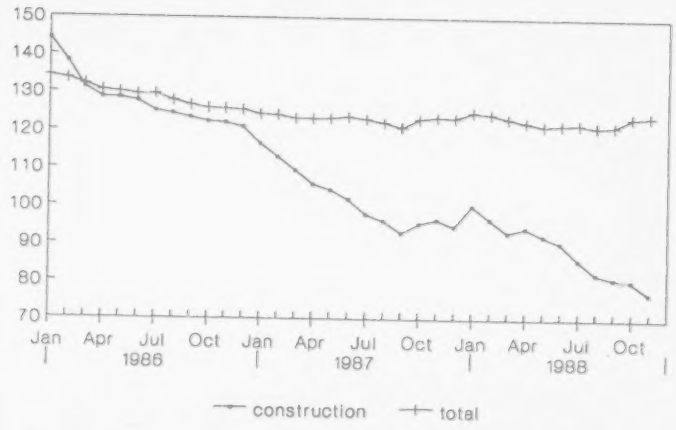
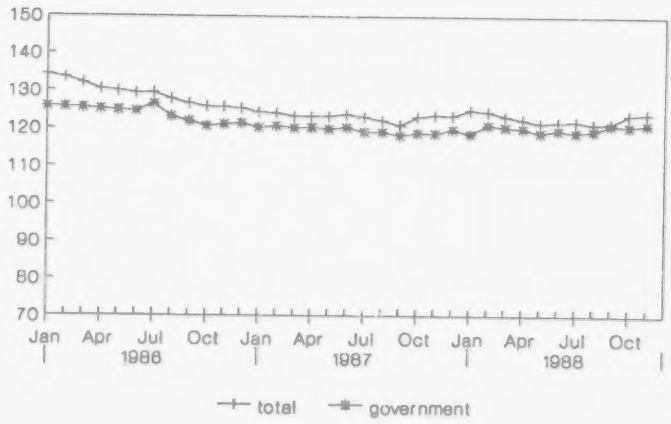


Figure 2

Seasonally Adjusted Employment Indexes Government vs. Total



If government employment is cut, a delay in the economic recovery would occur.

show that this sector has been crucial over the past year in providing stability to the state's overall employment picture. Figure 2 provides a glance at seasonally adjusted government employment numbers compared to total employment for the past two years.

A look at the immediate future for Alaska's economy: It's apparent that government employment may be the primary determinant of the total employment picture over the next several years. The construction industry's influence on the Alaskan economy has diminished significantly from the early 1980s. It had been nearly 10 percent of all employment in the state; now it is below 5 percent. Even if the construction industry were to continue losing employment at the pace it has been during the last two years (which it is not expected to do), it will exert a smaller and smaller drag on the overall economy.

Government employment has not diminished to the same extent as construction. However, given the current negative outlook for the funding of government at all levels—especially state and local governments — it is highly questionable that there will be added government employment growth to offset declines elsewhere in the overall employment picture.

Yet the state's current moves toward recovery would certainly be jeopardized if state and local government is dramatically pared to solve the projected state government budget deficit. If government employment is cut, a delay in the economic recovery would occur. It's a matter of conjecture as to how long the recovery would be delayed, but it would certainly relate to the magnitude of any employment cuts. It's probable that government cutbacks similar to those of 1986 would not induce as deep a recession as the one from which the state is currently recovering.

Regional Employment Picture: Southeast Is Leading the Way

On a regional basis, Southeast Alaska is continuing to set the state's employment growth pace. (For regional employment data see Table 2.) Nearly every economic sector in Southeast is growing; the lone exception is the construction industry. Mining has been one of the Southeast's major employment contributors. It has grown almost 60% since one year ago. Much of the over-the-year growth is attributable to the Greens Creek mine's drive toward production. Green's Creek is expected to continue adding employment until going into production this month, January 1989.

Although Green's Creek accounts for most of the current surge in Southeast Alaska mining employment, it doesn't account for all of it. Several other projects have contributed to the revival of the mining industry in the Southeast. While most of these projects are still in the exploration and development phases, decisions on these projects are coming soon. The most ambitious project — in terms of employment impact—is the reopening of the A-J mine in Juneau. Now in the process of completing its final feasibility study, a reopening of the A-J property by Echo Bay Mining could translate to 450 new jobs. If these numbers actually materialize, the project would vault into one of the two largest single mining sites in Alaska. This project alone would nearly triple current mining employment in Southeast Alaska.

Another one of the Southeast's growing industries is the lumber and paper products sector. The logging industry has become less seasonal; more operators are working later in the season and through the entire winter. Common are reports of shortages of loggers. Some operators are indicating that the recent fall-off in employment is not so much due to lack of work, but to loggers taking breaks for the holidays.

Anchorage On a Slow Mend

Anchorage's wage and salary employment numbers continue to be below those of one year ago, but they are creeping closer to showing year-to-year growth. The construction industry continues to be a major drag on Anchorage's economy. More than three-quarters of the state's total construction employment losses are in Anchorage. While government employment growth has helped offset construction losses for most of the state, Anchorage's construction losses have proved too much to overcome.

Factoring into this are recent staff reductions by the Municipality of Anchorage. The current job outlook for the municipality is for additional cutbacks. Therefore, government is not expected to contribute to employment-related recovery in Anchorage to the same extent that it has in other areas of the state.

Gulf Coast Employment Growing Thanks to Government

The Gulf Coast region of Alaska is posting over-the-year growth. This growth is predominantly related to government employment. The start-up in Seward of the Spring Creek correctional facility accounts for a sizeable portion of the region's government employment gain. Construction employment has been helped to some degree by initial work conducted on the Bradley Lake hydroelectric project. Construction employment in the region has still been down over the past year, though, despite the influence of Bradley Lake.

More Bottomfish Helping Southwest

Southwest Alaska is also posting slight over-the-year employment gains, a development primarily attributable to the bottomfish industry.

Fairbanks and Interior Economies Rebounding

Fairbanks and Interior Alaska are both posting slight employment gains despite large drops in construction employment since October. Trade, services and government are all contributing to Fairbanks' rebound. The Northern Alaska economy is being revitalized by additional government employment and a cautiously resurging oil and gas sector.

Summary: End of Recession In Sight

In summary, economists judge that Alaska's economy is poised on the end of the recession. Government employment is leading the way, followed closely by most other industries, excluding construction, and the finance, insurance and real estate sector. Regionally, Anchorage's economy continues to drag on the rest of the state's recovery; this will probably continue into the immediate future. On the horizon, the single biggest factor which could affect Alaska's economy is potential employment cuts resulting from the state government budget deficit.

Table 4
Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	P/ 11/88	R/ 10/88	11/87	P/ 11/88	R/ 10/88	11/87	P/ 11/88	R/ 10/88	11/87	P/ 11/88	R/ 10/88	11/87
Alaska Statewide	236,227	239,244	241,315	21,247	20,064	23,609	9.0	8.4	9.8	214,980	219,180	217,706
Anch.-MatSu Region	124,068	124,948	128,304	10,053	9,593	11,403	8.1	7.7	8.9	114,015	115,355	116,901
Anchorage Borough	109,610	110,295	113,175	7,818	7,629	8,611	7.1	6.9	7.6	101,792	102,666	104,564
MatSu Borough	14,458	14,653	15,129	2,235	1,964	2,792	15.5	13.4	18.5	12,223	12,689	12,337
Gulf Coast Region	25,477	25,822	25,769	2,853	2,753	3,079	11.2	10.7	11.9	22,624	23,069	22,690
Kenai Peninsula Bor.	16,416	16,543	16,629	2,286	2,135	2,457	13.9	12.9	14.8	14,130	14,408	14,172
Kodiak Island Bor.	5,420	5,565	5,498	211	253	274	3.9	4.5	5.0	5,209	5,312	5,224
Valdez-Cordova	3,641	3,714	3,642	356	365	348	9.8	9.8	9.6	3,285	3,349	3,294
Interior Region	35,509	35,947	36,334	4,458	4,034	4,750	12.6	11.2	13.1	31,051	31,913	31,584
Fairbanks North Star Br.	30,427	30,779	31,224	3,598	3,206	3,935	11.8	10.4	12.6	26,829	27,573	27,289
Southeast Fairbanks	2,108	2,165	2,167	297	303	325	14.1	14.0	15.0	1,811	1,862	1,842
Yukon-Koyukuk	2,974	3,003	2,943	563	525	490	18.9	17.5	16.6	2,411	2,478	2,453
Northern Region	7,742	7,750	7,841	643	600	734	8.3	7.7	9.4	7,099	7,150	7,107
Nome	2,978	2,993	3,033	277	272	329	9.3	9.1	10.8	2,701	2,721	2,704
North Slope Borough	2,751	2,745	2,749	138	113	133	5.0	4.1	4.8	2,613	2,632	2,616
Northwest Arctic Bor.	2,013	2,012	2,059	228	215	272	11.3	10.7	13.2	1,785	1,797	1,787
Southeast Region	32,676	33,403	31,948	2,656	2,381	2,882	8.1	7.1	9.0	30,020	31,022	29,066
Haines Borough	837	838	843	80	55	110	9.6	6.6	13.0	757	783	733
Juneau Borough	14,259	14,678	13,885	874	846	926	6.1	5.8	6.7	13,385	13,832	12,959
Ketchikan Gateway Bor.	6,473	6,660	6,279	541	530	536	8.4	8.0	8.5	5,932	6,130	5,743
Pr. of Wales-Outer Ketch.	2,475	2,533	2,418	324	310	335	13.1	12.2	13.9	2,151	2,223	2,083
Sitka Borough	3,874	3,958	3,864	274	238	378	7.1	6.0	9.8	3,600	3,720	3,486
Skagway-Yakutat-Ang.	1,572	1,582	1,562	243	209	275	15.5	13.2	17.6	1,329	1,373	1,287
Wrangell-Petersburg	3,186	3,154	3,097	320	193	322	10.0	6.1	10.4	2,866	2,961	2,775
Southwest Region	10,755	11,374	11,119	584	703	761	5.4	6.2	6.8	10,171	10,671	10,358
Aleutian Islands	3,008	3,161	3,071	79	88	88	2.6	2.8	2.9	2,929	3,073	2,983
Bethel	4,167	4,406	4,309	265	312	335	6.4	7.1	7.8	3,902	4,094	3,974
Bristol Bay Borough	387	403	410	34	33	50	8.8	8.2	12.2	353	370	360
Dillingham	1,911	2,048	1,995	94	141	144	4.9	6.9	7.2	1,817	1,907	1,851
Wade Hampton	1,282	1,356	1,334	112	129	144	8.7	9.5	10.8	1,170	1,227	1,190

P/ = Preliminary R/ = Revised 1987 Benchmark

Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature, meaning that the unemployment rates in any given month are as likely to be high as frequently as they are low. The official definitions of unemployment currently in place exclude anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most economists believe that Alaska's rural localities have proportionately more of these discouraged workers.

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- Local Government in Alaska
- Employment and Earnings in Local Government
- Characteristics of Alaska's Unemployed

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- Anchorage – 1987, The Year in Review
- Fairbanks – 1987, The Year in Review
- Gulf Coast – 1987, The Year in Review
- Southeast Alaska – 1987, The Year in Review
- Revised Employment, Labor Force and Hours and Earnings

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- Fairbanks Employment Forecast: 1988 – 1989
- Southeast Alaska Employment Forecast: 1988 – 1989

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